

## ECONOMIC STEWARDSHIP

## WEATHERING THE GLOBAL RECESSION

The Government of Lesotho is moving swiftly to support Lesotho's manufacturing sector and small business enterprises in an effort to minimize the effects of the global economic downturn on the nation's economy.



*Lesotho is working hard to sustain its apparel sector*

It has launched a trade facility initiative, overseen by the Central Bank of Lesotho, to support the working capital requirements of the garment industry, and has extended Lesotho's Duty Credit Certificate Scheme (DCCS), which manufacturers can apply to duties on the importation of raw materials that form inputs into the manufacturing process.

Lesotho will also benefit from the Global Trade Liquidity Program (GTLP), funded by G-20 countries, which extends trade finance to importers and exporters in emerging economies at a time when tight global credit markets are limiting available financing.

### LNDC

Despite the global recession, the parastatal Lesotho National Development Corporation (LNDC) is working to develop a Partial Credit Guarantee Scheme (PCGS) to support Basotho-owned businesses with an annual turnover of less than \$250,000. The LNDC will share the risk on loans made to small businesses by commercial banks.

The LNDC recently reported that, despite a slowdown in the retail sector in the United States, most of the 42 clothing and textile factories in Lesotho had orders up to the second quarter of 2009, while a few had actually secured orders for the whole of this year.

The US imported \$106.2 million in apparel from Lesotho from January to May 2009, according to the US-Africa Trade Report, down from \$129.4 million over the same period last year.

To support Lesotho's manufacturing sector, the LNDC has frozen the rent on facilities used by industrial tenants, effective from April 1, 2009. It reported that as of the end of March 2009, the portfolio of manufacturing companies operating in Lesotho remained almost constant at 74 companies.

As an indication of its determination to sustain its apparel and textile sectors, the LNDC is going ahead with skills development trainings for the sector. In March, it opened a second training center in Maseru. The Maputsoe Center has so

2009 SEP 24 AM 9: 29

far trained about 80 people in professional sewing skills.

In January, the Central Bank of Lesotho reported that a refund to about 48,000 taxpayers was expected to act as a stimulus to the country's economy.

The refund is the result of an amendment to Lesotho's income tax law that reduces the lower tax rate and increases tax credits for some taxpayers. It is estimated at over \$12.5 million, or 0.7% of GDP, and is expected to help support consumption spending for a significant number of households, including those that might be affected by job lay-offs. The injection of cash into the economy is also expected to give a boost to a wide range of businesses, including the retail and service sectors.

### ICT

## LESOTHO ON TO E-NETWORK PROJECT WITH INDIA

Lesotho became part of India's ambitious Pan-African e-Network project in July with the signing of a \$110 million agreement between the governments of the two countries.

The project, the result of a Memorandum of Understanding signed between India and the African Union in 2004, links leading Indian universities and hospitals via satellite to their counterparts in countries throughout Africa, with the goal of connecting all 53 countries in Africa to the network. So far 20 African countries have signed on to the project.

"The signing of the country agreement with Lesotho is an example of south-south cooperation," said India's Minister of State for Communications and IT Mr. Gurudas Kamat. Under the agreement, the Indian parastatal Telecommunications Consultants India Ltd. (TCIL) will design, procure and install equipment and provide operation and management services to Lesotho for five years.

Under the educational component, Basotho students will be able to receive degrees from any of seven Indian universities, including the Indian Institute of Science-Bangalore, Amity University, the University of Madras, Indira Gandhi National Open University (IGNOU), Birla Institute of Technology and Science, the University of Delhi and the Indian Institute of Technology (IIT) Kanpur. In June, 34 Ethiopian students - the first to participate in the project - graduated with MBA degrees from IGNOU.

The tele-medicine network will link doctors from 12 Indian specialty hospitals with their counterparts in Lesotho through online training programs. The hospitals include the All India Institute of Medical Sciences (AIIMS), Escorts Heart Institute, Care Hospital in Hyderabad and Narayan Hrudayalaya, one of the world's largest pediatric heart centers.

The Indian government has established tele-education and tele-medicine hubs in Bangalore and Ahmedabad in India, and in Dakar, Senegal, in Africa.



## LESOTHO PAVES THE WAY FOR WORLD CUP TOURISM

Lesotho will upgrade several highways, including the road leading to the top of scenic Sani Pass, to improve accessibility to the country's tourist attractions in preparation for the Soccer World Cup to be held in South Africa in 2010, Lesotho's Minister of Tourism, Environment and Culture, Ms. Lebohang Nts'inyi, announced in July.



*The road through Sani Pass has long been passable only to 4X4 vehicles*

The road to the top of Sani Pass, which is the gateway to Lesotho from KwaZulu-Natal in South Africa, has long been considered treacherous, but with paving, it will be possible for tourists to more easily visit the Sani Pass Hotel and other attractions at the top of the pass.

In addition, Ms. Nts'inyi said, the road to Sehlabathebe National Park, south of Sani Pass, will be improved and the Ministry is working on having the park listed as a UNESCO World Heritage Site.

The Government of Lesotho is working to capitalize as much as possible on the World Cup. It has completed construction on a Cultural Village at Thaba Bosiu, east of Maseru. Thaba Bosiu occupies a special place in Basotho history as the site where King Moshoeshoe defended his kingdom from invaders. Twenty guesthouses around the country have also been built and the Ministry of Tourism is working with homeowners wishing to host visitors during the World Cup.

### NEW INVESTMENT

## COAT HANGER FACTORY TO OPEN IN LESOTHO

Hanger Dynamics, a South African coat hanger manufacturer, opened a new plant in August in Maputsoe to support Lesotho's 35 apparel manufacturers.

With an initial investment of \$250,000, the company will install six injection-molding machines with the capacity to produce 1.5 million hangers per month. Within 18 months, it plans to double its investment and output and provide employment for about 120 Basotho.

While the factory's primary market will be Lesotho's apparel sector, it will also produce hangers to be sold in South Africa, Swaziland and other African markets.

The opening of the plant will obviate the need for garment-makers to import coat hangers from China. "Freighting out of China is a big exposure, and then there is the enormous congestion at the Durban port," said Hanger Dynamics owner Mr. Kevin Ashton. "What we'll bring is door-to-door service which cuts out 25 days on the water and delays at the

port, which sometimes stretches lead times to a month."

Mr. Ashton praised the Lesotho National Development Corporation (LNDC) for its assistance in bringing the project to fruition. Lesotho levies no corporate tax for the first five years of investment, and offers factory space costing a quarter of the rent usually charged in South Africa and a less expensive workforce. As a result, it offers an extremely attractive environment for investors to open up operations there.

### PRIVATE SECTOR FIGHTING HIV/AIDS

## GLOBAL BUSINESS COALITION RECOGNIZES ALAFA

The Global Business Coalition on HIV/AIDS, Tuberculosis and Malaria (GBC) announced in June that it was giving special recognition in the supply chain engagement section to Apparel Lesotho Alliance to Fight AIDS (ALAFA).

GBC is a coalition of more than 220 companies united to keep the fight against HIV/AIDS, tuberculosis and malaria a global priority. The annual GBC Business Excellence Awards recognize private sector HIV/AIDS programs.

ALAFA was recognized for the sustained commitment of managers and buyers, providing adequate financing to help bridge gaps in interventions, and the presence of primary healthcare services in the workplace.

"The annual awards procedure allows a program like ours to be exposed to a high-level panel of expert judges and provides motivation and direction to grow," said Mr. Bart Vander Plaetse, ALAFA's CEO. "It reassures us in our conviction that it is possible to fight poverty and protect the health and livelihood of the major workforce in Lesotho, and sustain the apparel sector, which is the main employer in the country."

"The industry-wide ALAFA model allows a multiplicity of stakeholders, among them the buyers and ultimately their clients in retail shops, to participate in changing history of this HIV pandemic that is destroying lives," he added.

ALAFA is an industry-wide program providing education and prevention, voluntary testing and counseling, and management of AIDS through the roll-out of care and treatment of HIV-positive

workers and their spouses in Lesotho's apparel and textile sector. It is hosted by the Lesotho Textile Exporters Association and supported by private sector and international donor agencies.

In 2008 ALAFA won the prestigious Southern Africa Trust Drivers of Change Award for its innovative community-based public-private-community partnership to protect a key productive economic sector from the ravages of HIV/AIDS.



*ALAFA peer educator*



2009 SEP 24 AM 9: 29

# WEATHERING THE GLOBAL RECESSION

The Government of Lesotho is moving swiftly to support Lesotho's manufacturing sector and small business enterprises in an effort to minimize the effects of the global economic downturn on the nation's economy.

It has launched a trade facility initiative, overseen by the Central Bank of Lesotho, to support the working capital requirements of the garment industry, and has extended Lesotho's Duty Credit Certificate Scheme (DCCS), which manufacturers can apply to duties on the importation of raw materials that form inputs into the manufacturing process.

Lesotho will also benefit from the Global Trade Liquidity Program (GTLP), funded by G-20 countries, which extends trade finance to importers and exporters in emerging economies at a time when tight global credit markets are limiting available financing.

## LNDC

Despite the global recession, the parastatal Lesotho National Development Corporation (LNDC) is working to develop a Partial Credit Guarantee Scheme (PCGS) to support Basotho-owned businesses with an annual turnover of less than \$250,000. The LNDC will share the risk on loans made to small businesses by commercial banks.

The LNDC recently reported that, despite a slowdown in the retail sector in the United States, most of the 42 clothing and textile factories in Lesotho had orders up to the second quarter of 2009, while a few had actually secured orders for the whole of this year.

The US imported \$106.2 million in apparel from Lesotho from January to May 2009, according to the US-Africa Trade Report, down from \$129.4 million over the same period last year.

To support Lesotho's manufacturing sector, the LNDC has frozen the rent on facilities used by industrial tenants, effective from April 1, 2009. It reported that as of the end of March 2009, the portfolio of manufacturing companies operating in Lesotho remained almost constant at 74 companies.

As an indication of its determination to sustain its apparel and textile sectors, the LNDC is going ahead with skills development trainings for the sector. In March, it opened a second training center in Maseru. The Maputsoe Center has so far trained about 80 people in professional sewing skills.

In January, the Central Bank of Lesotho reported that a refund to about 48,000 taxpayers was expected to act as a stimulus to the country's economy.

The refund is the result of an amendment to Lesotho's income tax law that reduces the lower tax rate and increases tax credits for some taxpayers. It is estimated at over \$12.5 million, or 0.7% of GDP, and is expected to help support consumption spending for a significant number of households, including those that might be affected by job lay-offs. The injection of cash into the economy is also expected to give a boost to a wide range of businesses, including the retail and service sectors.

## ICT



## **NEW INVESTMENT**

### **COAT HANGER FACTORY TO OPEN IN LESOTHO**

Hanger Dynamics, a South African coat hanger manufacturer, opened a new plant in August in Maputsoe to support Lesotho's 35 apparel manufacturers.

With an initial investment of \$250,000, the company will install six injection-molding machines with the capacity to produce 1.5 million hangers per month. Within 18 months, it plans to double its investment and output and provide employment for about 120 Basotho.

While the factory's primary market will be Lesotho's apparel sector, it will also produce hangers to be sold in South Africa, Swaziland and other African markets.

The opening of the plant will obviate the need for garment-makers to import coat hangers from China. "Freighting out of China is a big exposure, and then there is the enormous congestion at the Durban port," said Hanger Dynamics owner Mr. Kevin Ashton. "What we'll bring is door-to-door service which cuts out 25 days on the water and delays at the port, which sometimes stretches lead times to a month."

Mr. Ashton praised the Lesotho National Development Corporation (LNDC) for its assistance in bringing the project to fruition. Lesotho levies no corporate tax for the first five years of investment, and offers factory space costing a quarter of the rent usually charged in South Africa and a less expensive workforce. As a result, it offers an extremely attractive environment for investors to open up operations there.

## **PRIVATE SECTOR FIGHTING HIV/AIDS**

### **GLOBAL BUSINESS COALITION RECOGNIZES ALAFA**

The Global Business Coalition on HIV/AIDS, Tuberculosis and Malaria (GBC) announced in June that it was giving special recognition in the supply chain engagement section to Apparel Lesotho Alliance to Fight AIDS (ALAFA).

GBC is a coalition of more than 220 companies united to keep the fight against HIV/AIDS, tuberculosis and malaria a global priority. The annual GBC Business Excellence Awards recognize private sector HIV/AIDS programs.

ALAFA was recognized for the sustained commitment of managers and buyers, providing adequate financing to help bridge gaps in interventions, and the presence of primary healthcare services in the workplace.

"The annual awards procedure allows a program like ours to be exposed to a high-level panel of expert judges and provides motivation and direction to grow," said Mr. Bart Vander Plaetse, ALAFA's CEO. "It reassures us in our conviction that it is possible to fight poverty and protect the health and livelihood of the major workforce in Lesotho, and sustain the apparel sector, which is the main employer in the country."

"The industry-wide ALAFA model allows a multiplicity of stakeholders, among them the buyers and ultimately their clients in retail shops, to participate in changing history of this HIV pandemic that is destroying lives," he added.

ALAFA is an industry-wide program providing education and prevention, voluntary testing and counseling, and management of AIDS through the roll-out of care and treatment of HIV-positive workers and their spouses in Lesotho's apparel and textile sector. It is hosted by the Lesotho Textile Exporters Association and supported by private sector and international donor agencies.